WINNIPEG
AIRPORTS AUTHORITY

2016 Annual Report

Leading Transportation Innovation and Growth

Photo by Laird Kay

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STRATEGIC DIRECTIONS

Enhance Customer Service and Value
We will understand our customer needs and assure value through measurements relevant to them.

Deliver and Operate Excellent Facilities and Services
We will deliver safe, secure and environmentally sound facilities and services incorporating universal design principles.

VISION

To lead transportation innovation and growth

MISSION

With our community, we provide excellent airport services and facilities in a fiscally prudent manner

VALUES

Respect
Integrity
Service
Excellence

Expand Air Service to and from Winnipeg
To improve Manitoba's links to the world, we will build on our 24-hour access and our intermodal connectivity.

Be an Effective Community Partner
We will be a source of pride for our community and a leader in its growth and development.

Develop and Realize Employee Potential
Our team attracts and inspires excellence. We have engaged employees, with the right skills, in the right place at the right time.

Develop New Revenue Streams
Through business development initiatives, we will seek opportunities that will enhance and diversify revenue streams.

2016 NON-STOP DESTINATIONS

Destinations and airlines serving YWG are subject to change.

AIRLINES SERVING MAIN TERMINAL BUILDING

- Air Canada
- Air Transat
- Bearskin Airlines
- Calm Air
- Delta Air Lines
- First Air
- NewLeaf Travel Company
- Sunwing
- United Airlines
- WestJet

2016 NON-STOP DESTINATIONS

CANADA

Calgary
Edmonton
Vancouver
Churchill
Flin Flon
Gillam
The Pas
Thompson
Rankin Inlet
Sanikiluaq
Ottawa
Red Lake
Thunder Bay
Toronto
Montreal
Regina
Saskatoon
London*
Hamilton
Abbotsford
Victoria*
Kelowna*

U.S.

Denver
Chicago
Minneapolis
Las Vegas
Phoenix*
Palm Springs*
Fort Lauderdale*
Orlando*

United Kingdom

London*

CHARTER*

Bahamas
Nassau

Cuba
Cayo Coco
Holguin
Santa Clara
Varadero

Dominican Republic
Punta Cana

Jamaica
Montego Bay

Mexico
Cancun
Huatulco
Ixtapa-Zihuatanejo
Los Cabos
Mazatlan
Puerto Plata
Puerto Vallarta

** Seasonal destinations*

MESSAGE FROM THE BOARD CHAIR

Tom Payne Jr. – Board Chair

With our community.

Those first three words of our mission statement guide the Board as we consider the vision for our airport. Together with the incredible WAA team, we are building a company that delivers world-class airport facilities and services in a fiscally prudent way. All for the benefit of the community we serve.

Our priorities remained unchanged as we complete 2016 and look to 2017 – Business Transformation, Revenue Optimization and Stakeholder Engagement. What is changing is the world around us.

Innovation is forcing companies to adapt. It is no longer sufficient to say "this is how we do things around here." Disruptive technology is everywhere and challenging us to adjust but with leadership and a clear vision there is tremendous opportunity in change. We need to have the courage to challenge our orthodoxies and find new ways to succeed. WAA's vision is to transform how we do business to be more efficient and increase performance so that we are ready to lead in times of change.

We need a sound and diverse foundation to better handle what is to come and ensure we are starting from a position of strength. By optimizing our revenue and maximizing potential we will be in position to face what is on the horizon.

What we are creating is being built from our strength. WAA needs to continue to engage our stakeholders and community to better understand their changing needs and align our work. We are an economic driver and need to work closely with government, business and the community to deliver on our collective objectives.

Our strategic priorities prepare WAA to be nimble enough to handle change. Some of this coming change is known. The Honourable Marc Garneau, Federal Minister of Transportation, has laid out a vision for our industry. Duty free purchases on arrival, enhancing passenger screening to reduce wait times and an Air Travellers Passenger Rights Regime all have the potential to bring positive change to our airport. We are putting the structure in place to adapt and take advantage of the opportunities this presents.

Much of what lies ahead remains unknown. Potential changes in airport governance is top of mind for many in our field and as a Board we are considering what this means for our community. There is no doubt the current community-based airport governance model is a success and is serving the market well. Selling an asset like our community airport should only be done in an environment of significant consultation with those most directly impacted, and with an understanding of what benefits accrue to the community that developed the market and facilities.

Our Board is confident we will continue to succeed because we have the right team to navigate these changes. I would like to welcome Scott Penman to the Board. Nominated by the City of Winnipeg, Scott brings 35 years of financial management experience to our team. I would also like to thank Don Price for his contribution as he retires from the Board. He has been an important part of our success since joining the Board in 2014.

WAA employees are leaders in our industry and in our community. 2016 saw WAA again recognized as one of Manitoba's Top Employers, the sixth year in a row. Their diligent efforts helped propel Winnipeg Richardson International Airport to break through the 4 million passenger level in 2016, a first for our community.

Our vision is clear and we have the right people in place to ensure that WAA is well placed to lead transportation innovation and growth in our city, province and region.

Sincerely,

Tom Payne Jr.

> *Disruptive technology is everywhere and challenging us to adjust but with leadership and a clear vision there is tremendous opportunity in change.*
>
> *– Tom Payne Jr.*

We are also investing in technology and people to give our city and province an edge in the global marketplace.

– Barry Rempel

MESSAGE FROM THE PRESIDENT & CEO

Barry Rempel – President & CEO

Disrupt or be disrupted. This is the new reality for companies as our business landscape is changing faster than ever before. As a management team we are developing, refining and implementing the strategy to lead WAA in this dynamic environment.

More passengers than ever before walked through our doors in 2016. This is an incredible milestone for our airport and our community. We also know that while it took 20 years to witness a growth of one million passengers and achieve the record four million number, we are also projecting to reach five million passengers by 2025, less than half the time. In fact, we expect to double our passenger totals in the next 20 years. If we aren't planning for this today we won't be prepared for the challenges this will bring.

We are ready because we have the right plan in place. We are changing how we do business now so we can better serve our customers today and tomorrow. This year we implemented LEAN processes and training for our team, creating a corporate culture that will allow us to optimize our company for the future.

WAA is strategically aligning with our community partners to promote our province and secure new routes. In 2016 WestJet added non-stop service to London, England, a first for our community since 2008. We also saw ultra-low cost carrier NewLeaf Travel Company launch in July. The decision to locate their headquarters in Winnipeg creates jobs in our community and offers more options for travellers through the airport.

Our plan includes finding new ways to generate revenue to offset operating costs, rather than relying solely on revenue from airlines and travellers. WAA is working with our current airport tenants to facilitate their needs and unlock new opportunities on our airport campus which will spur economic growth in the near and long term.

We are also investing in technology and people to give our city and province an edge in the global marketplace. We are leveraging our position as the centre of a cluster of world-class transportation and logistics firms, as well as tourism and hospitality operators to drive our economy forward.

Winnipeg is at the nexus of trading routes and is a transportation and logistics hub, with our airport at its centre. Providing direct access to more than 60 national and international destinations as well as cargo routes around the world, we are integral to the trade and transportation interests of our city and province, today and into the future.

We are equally ready for the challenge ahead. With the right people, our dedicated team is guided by the understanding that they are here to serve. Our employees keep the airport open 24/7, including Christmas 2016 when our team stepped away from their families to keep the airport open so others could connect with theirs. It is our team members, planting and harvesting over 6,000 pounds of vegetables in our garden this year to donate to Winnipeg Harvest, cooking a meal for families at Ronald McDonald House and helping to build a Habitat for Humanity home. It is the people going the extra mile every day to get you safely where you need to go.

Our commitment to serve is why 2016 was such an incredible success for WAA and why we are ready to take advantage of what comes next.

Sincerely,

Barry Rempel

WAA's Story

We are here to serve. Since taking over management and operation for Winnipeg Richardson International Airport on January 1st, 1997, we have led the development of the airport and surrounding campus for the benefit of our community. WAA is a non-share capital corporation. This means we bring the focus of private sector management with the significant difference that all profit is reinvested back into the company and its assets.

"This means we bring the focus of private sector management with the significant difference that all profit is reinvested back into the company and its assets."

WASCO

WAA's focus on providing competitive service offerings requires that we constantly look to develop new revenue streams. Winnipeg Airport Services Corp. (WASCO) is one of the ways we are doing this. WASCO is a wholly owned subsidiary and has investments across the country, including in the North.

> One example of this investment is Nunavut Airport Services Ltd, which manages and operates the Iqaluit International Airport. The redevelopment of Nunavut's capital city airport is a key enabler of Canada's North, especially given the reliance placed on the airport for the flow of people and goods in and out of the territory.

WASCO is also performing airport maintenance services at the Kelowna International Airport under a five-year contract and manages The Pas Airport in Manitoba under a five year contract.

Winnipeg Richardson International Airport

Our airport is the front door to our community. Millions of visitors arrive in Winnipeg – many for the first time – and our airport is a reflection of our city and province. Whether visitors are here for a convention, a vacation, or a new home, our airport is the introduction to our province. This is why we take great pride in the level of service that makes Winnipeg Richardson International Airport world-class.

Customer Experience

Enhancing the customer experience is top of mind for the WAA team. Our terminal is now five years old, and we are finding new and better ways to augment the travel experience.

> In 2016 our Therapy Dog program took root. This partnership with St. John Ambulance Manitoba has brought a great energy to the terminal and is welcomed by travellers and our campus community as well.

2016 saw a complete redesign of our food and beverage offerings in response to customer feedback. Queen's Court received new seating, as well as the introduction of a piano to enrich the atmosphere. We enhanced our food court with the additions of Freshii and True Burger, complementing the newly retrofitted Prairie Bistro, Skylights Lounge and Urban Crave in the Transborder Area. Work has commenced on Flight Club in the Arrivals Hall, a new concept restaurant that will be the first of its kind in North America.

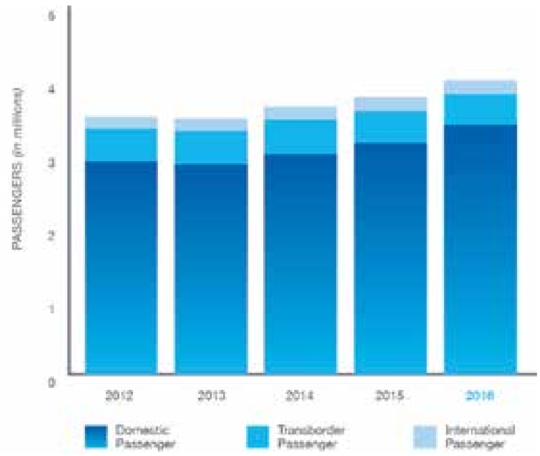
Goldwings

Donating over 250,000 volunteer hours since the program started in 1997, our Goldwing Ambassadors are always here to help. Goldwing volunteers are a welcoming face for travellers looking for directions and information when they arrive at Winnipeg Richardson International Airport. Our volunteers, who collectively speak over 15 languages, enhance the travel experience by offering a warm smile and a helping hand to anyone in need in our airport.

> *"Donating over 250,000 volunteer hours since the program started in 1997, our Goldwing Ambassadors are always here to help."*

Passenger Numbers

This year saw the addition of new routes to better serve the needs of our community. 2016 was highlighted by the start of seasonal weekly service by WestJet to London-Gatwick Airport that began in May, the first non-stop flight between Winnipeg and London since 2008. WestJet also added seasonal service to Halifax and Kelowna. Overall, both WestJet and Air Canada added more seats into the market and provided travellers more options for 2016.



NewLeaf Travel Company, headquartered in Winnipeg, also entered the market in 2016. NewLeaf expanded the options for travellers, offering non-stop year-round service to Abbotsford, Edmonton and Hamilton, as well as seasonal service to Kelowna and Victoria.

Aircraft Movements

Employer of Choice

Any company's ability to serve effectively relies on its team. WAA is proud to have been selected as a Manitoba Top Employer for the sixth consecutive year, and we continue to push ourselves toward excellence. By aligning ourselves with our corporate mission and values we are able to deliver on our strategic commitment to community. Whether it is sessions focused on wellness or our new leadership development program, we are always striving to develop a world-class team.

An important part of serving our community means paying close attention to trends and looking ahead to determine our community's needs in the near and long term. Equally important is preparing our team to meet these new demands. To better serve our community in a fiscally prudent manner, business transformation remains a priority.

LEAN training was a key focus in 2016 to ensure our team has the tools needed to lead this transformation. Over 100 employees attended LEAN 101, Yellow and Green Belt training to lead the process and ensure the commitment to Business Transformation is sustainable over the long term. More than 60 people participated on six teams in Rapid Improvement and 5S Projects, putting their new skills into action and improving how we operate.

> *"Over 100 employees attended LEAN 101, Yellow and Green Belt training to lead the process and ensure the commitment to Business Transformation is sustainable over the long term."*

2016
MANITOBA'S
TOP EMPLOYERS

> *"WAA is proud to have been selected as a Manitoba Top Employer for the sixth consecutive year, and we continue to push ourselves toward excellence."*

Corporate Social Responsibility

Community service is a central tenet of WAA. It could not be more clearly stated than with the first three words of our mission statement, “With our community”.

For 20 years WAA employees have been working in our community garden at the airport campus, growing vegetables to support Winnipeg Harvest’s Grow-A-Row Program. Since starting the program our team has grown over 50,000 pounds of fresh vegetables. As well, our 2016 Corporate Challenge saw nine other organizations grow vegetables to support Winnipeg Harvest.

WAA also sponsored a number of events in the community last year, including the Royal Canadian Air Force Run which supports members, veterans and military families in need.

Sponsoring the 220 Red River Royal Air Cadets Squadron is a proud annual initiative of WAA. Our sponsorship provides opportunity for future leaders to be active in their community, promote good citizenship and develop leadership. It also allows employees to donate time to honing the next generation of upstanding youth – especially those with an interest in air activities.

Our team embraced the annual United Way staff giving campaign and Plane Pull again this year. Beyond our usual fundraisers, the WAA team donated their time to the United Way’s Days of Caring. Koats for Kids collection boxes were also set up around the airport to receive gently used winter coats for children in the community.

The WAA team has a unique set of skills and these were on display this fall when employees participated in the Habitat for Humanity Adopt-a-Day build, as well as when our team prepared a meal for families at Ronald McDonald House.

WAA was also proud to award Christopher Painchaud, one of our Silverwing volunteers, with the WAA Queen Elizabeth II Aviation Scholarship. Christopher is working toward his goal of becoming a commercial pilot and the WAA is honoured to be able to help him reach his goal.

> *“Since starting the Grow-A-Row program our team has grown over 50,000 pounds of fresh vegetables.”*

Environment

WAA recognizes that we share the environment with the community and we have a responsibility to ensure our operations positively impact future generations. We embrace the principles of sustainability and our business decisions are mindful of the well-being of the planet. Simply put, sustainability for WAA is about doing the right thing.

Helping guide our process is our Airport Advisory Committee on the Environment which connects our team with the community for a holistic approach.

WAA achieved Level One Mapping Certification under the Airport Carbon Accreditation Program in 2016. This is the only institutionally-endorsed, global carbon management program for airports. In order to achieve the certification, WAA made a commitment to ongoing carbon management and completed an inventory to determine our carbon footprint.

WAA was awarded with the Fair Trade Workplace Designation by Fairtrade Canada, the second such recognition for a corporation in Canada and first for a Canadian airport.

Whether diverting waste from the landfill through our Avoid-Reduce-Reuse-Recycle philosophy, or aligning our Environmental Management System (EMS) with the ISO 14001:2015 standard, we are always seeking new and better ways to operate in a sustainable way.

The Canadian Environmental Assessment Act requires WAA to review all airport development projects for their potential to cause significant adverse environmental effects. WAA reviewed and approved 46 projects to be carried out on airport lands in 2016. Mitigation measures were incorporated for any project that could potentially have any environmental impacts.

This year WAA diverted 14% of the terminal building waste from the landfill. We continue to determine innovative waste diversion solutions and implement educational programs to maximize our waste management performance.

WAA expanded upon the existing electronic waste program by adding collection sites in our Central Utilities Building and Combined Services Building. A light bulb recycling program was also introduced in 2016.

"WAA achieved Level One Mapping Certification under the Airport Carbon Accreditation Program in 2016. This is the only institutionally-endorsed, global carbon management program for airports."

Photo by Laird Kay

“WAA generates $3.6 billion in economic activity for our city and province, and our operations support over 20,000 jobs in our community.”

WAA as an Economic Driver

WAA is an economic driver and enabler of our local economy. WAA generates $3.6 billion in economic activity for our city and province, and our operations support over 20,000 jobs in our community. Whether it is shipping Manitoba products and agriculture to the world, bringing needed equipment to Manitoba's aerospace industry or helping your online purchases arrive on your doorstep, WAA helps drive our economy.

> The airport is an important link in a global transportation network. Our airport is the northern gateway to the Mid-Continent Trade Corridor that connects Canada, the U.S. and Mexico.

Air Cargo activity continued to be steady in 2016. Cargojet is the largest operator from Winnipeg to most major centres in Canada. Other operators maintained their level of activities in Winnipeg, while FedEx now operates non-stop to its Memphis hub using a mix of aircraft to better meet volumes and demand from their key customers.

> *"The development of these lands will ensure sustainability, long term growth and add value to the local economy."*

Serving our community also means leveraging all assets with which we have been blessed. Our airport is uniquely positioned to have some of the most attractive developable land in our city. To help plan for this opportunity, WAA is working with our partners in Winnipeg Airport Lands Corp. (WALC), Economic Development Winnipeg and the Provincial Government, to capitalize on our 1,700 acres of land.

The development of these lands will ensure sustainability, long term growth and add value to the local economy.

2016 FINANCIAL REVIEW

2016 FINANCIAL REVIEW

(In thousands of Canadian dollars)	2012	2013	2014	2015	2016
Revenue	$ 87,512	$ 93,176	$ 103,138	$ 111,153	$ 117,638
Operating Expenses[1]	36,490	40,063	48,824	49,500	51,334
Ground Lease Rent	5,977	6,418	7,024	7,399	8,011
Earnings Before Interest, Taxes & Depreciation	45,045	46,695	47,290	54,254	58,293
Depreciation	30,656	31,585	32,137	32,387	34,846
Earnings[2]	14,389	15,110	15,153	21,867	23,447
Capital Expenditures	$ 32,464	$ 13,492	$ 23,452	$ 13,883	$ 18,470

[1] – Operating Expenses excluding Ground Lease Rent and Depreciation
[2] – Earnings before Net Finance Expense and Share of Profit of Associate

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company presents earnings before interest, taxes and depreciation (EBITDA), which is a financial measure with no standardized meaning under IFRS and therefore may not be comparable to similar measures reported by other companies. EBITDA provides additional information and should not be used as a substitute for other performance measures prepared in accordance with IFRS. Management uses EBITDA as an indicator to assess ongoing operational performance.

Operating Results

2016 was a record breaking year for the Company as the 4 million passenger mark was exceeded at Winnipeg Richardson International Airport ("YWG"). This represents an increase of 6.3% largely generated from domestic travel. Passengers drive a significant portion of the Company's revenue directly through aeronautical fees and airport improvement fees, and indirectly through groundside and concession revenue.

With the launch of a new discount air travel company in Winnipeg during the summer of 2016, NewLeaf Travel, a competitive response was seen from other carriers. This response was a combination of new routes for Winnipeggers and additional capacity on existing routes. This led to increased revenue for the Company through the addition of more seats in the market and larger aircraft.

Landing fees are billed on the basis of the Gross Takeoff Weight (GTOW) of the aircraft using YWG. Increased capacity accounted for half of the increase in airfield revenue which finished the year at $20.2 million, an increase over 2015 of $1.3 million.

Passenger processing revenue is based on the landed seats using the main air terminal building. During 2016 these transactions generated $22.0 million in revenue compared to $20.6 million in 2015, an increase of $1.4 million or 6.7%.

With the 6.3% increase in passenger traffic at YWG, WAA saw improved revenue from groundside activities which includes car parking and ground transportation services such as taxis, limousines and shuttle buses. Concession revenues generated in the air terminal building saw a smaller growth percentage of 4.3% given several of the food and beverage outlets were temporarily closed during the year as they underwent re-branding and renovations.

WAA funds airport improvements to infrastructure using airport improvement fees ("AIF") collected by the air carriers from passengers. In 2016 WAA received $40.7 million in AIF, an increase of $2.0 million over 2015 or 5.2%. This increase correlates to the increase in originating passengers as no fees are collected for connecting passengers.

A 3.8% or $0.3 million increase in leasing revenue arose due to rate increases in existing land tenant rental rates on the airport campus in Winnipeg. Airport management contracts and other revenues were up 3.0% due to the expected increased revenue contract levels in Nunavut.

The largest components of operating expenses for the Company are comprised of salaries and benefits, as well as services and repairs. The activities at YWG and in Iqaluit account for 91.5% and 7.5% respectively of total operating costs.

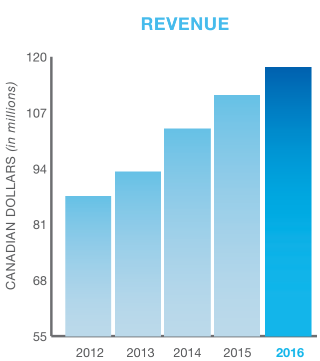
Salaries and benefits costs increased by $1.1 million in 2016 or 5.2%. There was minimal growth in the actual number of employees but benefits costs contributed significantly to the payroll burden. The pension expense stayed consistent at $2.5 million in 2016 compared to 2015.

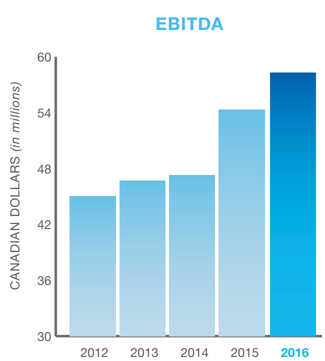
Services and repairs costs decreased in 2016 to $17.1 million. This 0.9% decrease was a result of a restructuring of security services along with reductions in discretionary spending.

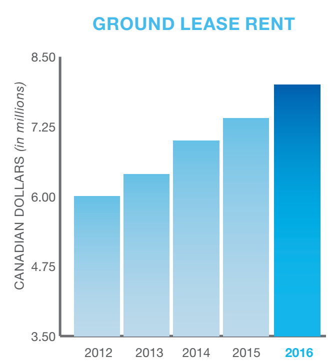
Ground lease rent paid to the Government of Canada as a percentage of gross revenue increased by $0.6 million or 8.3% over 2015 to $8.0 million. Rent is calculated using a rate formula that increases the percentage rent as increased levels of revenue are earned by the Company.

Supplies expense is primarily a function of the weather activity in the vicinity of each airport. Weather incidents cause increases in the use of fuel for airfield mobile equipment as well as safety chemical usage on airfield paving. The increase in costs for 2016 compared to 2015 was $0.2 million or 5.8%.

Utility costs are comprised of expenses for consumption of natural gas, electricity and water, along with charges for waste water disposal. While warmer weather in the winter season causes increased costs for supplies used on the airfield, it also decreases the level of natural gas consumption required to heat the facilities. Despite experiencing less cost for natural gas and electricity in 2016, there was an increase in waste water disposal costs. The City of Winnipeg waste water disposal rates increased as did the quantity of water discharged due to increased precipitation and de-icing water volumes.







Investments and Financing

Combined available cash, cash equivalents and investments totalled $90.0 million at year-end compared to $81.3 million at the end of 2015. The Company's investments include short-term notes, municipal bonds, provincial bonds and corporate bonds in a professionally managed portfolio at a chartered bank.

Financing of capital investments is accomplished through multiple types of debt. The majority of the Company's debt arises from the issuance of Revenue Bonds. These bonds total $604.5 million compared to $611.6 million at December 31, 2015, a decrease of $7.1 million due to principal repayments net of amortization of issuance costs. The Company also has a loan outstanding with the Manitoba Industrial Opportunity Program for $16.1 million, reduced by principal payments of $0.7 million from 2015. Specialized airfield mobile equipment is financed through a leasing program with a total outstanding of $2.1 million (2015 - $2.9 million).

Capital Investments

Total capital expenditures for 2016 were $18.5 million versus $13.5 million in 2015. Additions included modifications to the baggage handling system, installation of automated passport control kiosks, improvements to the physical infrastructure of the Central De-Icing Facility as well as supporting site works needed for the addition of a glycol concentrator.

Cash Flow

Cash flow generated from operations was $35.6 million in 2016 compared to $26.3 million in 2015. Two key factors impacted this improvement of $9.3 million: a significant increase in the non-cash depreciation expense of $3.2 million plus an improvement in net loss of $2.5 million. The other significant change is an improvement in generation of non-cash operating working capital of $2.8 million to the 2016 balance of $7.1 million.

Investing activities used $14.5 million of cash mostly to invest into capital improvements in property and equipment by $18.5 million. Offsetting this expenditure was a decrease in investments of $3.4 million.

There was an increase in the leasing program during 2016 of $0.8 million related to the acquisition of airfield mobile equipment. The remaining financing activities related to debt reduction through principle payments of $9.8 million, compared to $8.8 million in 2015.

The overall ending balance of cash and cash equivalents is an increase of $12.1 million over 2015 driven by $35.6 million generated from operating activities offset by investing activities of $14.5 million and investing activities of $9.0 million.

FORECAST	2017	2018	2019	2020	2021
Passengers	4,063,486	4,193,518	4,310,936	4,431,643	4,555,729
Scheduled Aircraft Movements	75,750	78,174	80,363	82,613	84,926
Debt Repayments *(In thousands of Canadian dollars)*	$ 9,564	$ 9,410	$ 134,826	$ 10,132	$ 10,660
Ground Lease Rent *(In thousands of Canadian dollars)*	$ 8,071	$ 8,649	$ 9,082	$ 9,538	$ 10,011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Year ended December 31, 2016

The accompanying consolidated financial statements of Winnipeg Airports Authority Inc. have been prepared by management and approved by the Board of Directors of Winnipeg Airports Authority Inc.

Management is responsible for the preparation and representations contained in these financial statements and other sections of this Annual Report. The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee comprised entirely of independent directors of the Company reviews the financial statements, the adequacy of internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Board of Directors prior to the approval of the audited financial statements.

Winnipeg Airports Authority Inc. maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of financial statements.

Winnipeg Airports Authority Inc.'s independent auditors, PricewaterhouseCoopers LLP, have been appointed by the Members of the Authority to express their professional opinion on the fairness of these consolidated financial statements.

March 29, 2017

Barry W. Rempel
President and Chief Executive Officer

Catherine J. Kloepfer, FCPA, CGA, FCA
Senior Vice President, Corporate Services and
Chief Financial Officer

Consolidated
Financial Statements of

Winnipeg Airports Authority Inc.

Year ended December 31, 2016

Photo by Laird Kay

INDEPENDENT AUDITOR'S REPORT

March 29, 2017

pwc

To the Board of Directors of Winnipeg Airports Authority Inc.

We have audited the accompanying consolidated financial statements of Winnipeg Airport Authority Inc. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flow for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Winnipeg Airports Authority and its subsidiaries as at December 31, 2016 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Winnipeg, Manitoba
Canada

CONSOLIDATED BALANCE SHEET

As of December 31, 2016 (In thousands of Canadian dollars)

	2016	2015
Assets		
Current:		
Cash and Cash Equivalents	$ 43,867	$ 31,739
Accounts Receivable (note 5)	8,806	8,625
Prepaid Expenses	1,027	1,044
Current Portion of Financing Lease Receivable (note 10)	708	705
Inventory	1,955	1,556
	56,363	43,669
Non-Current:		
Property and Equipment (note 6)	657,189	673,537
Restricted Cash (note 7)	19,704	19,692
Investments (note 8)	46,165	49,610
Investments in Associates (note 9)	2,207	2,795
Financing Lease Receivables (note 10)	22,421	23,128
Post-Employment Benefits (note 16)	5,366	2,446
	$ 809,415	$ 814,877
Liabilities and Equity		
Current:		
Accounts Payable and Accrued Liabilities	$ 31,221	$ 22,941
Income Taxes Payable	198	653
Deferred Revenue	969	848
Current Portion of Long-Term Debt (note 13)	9,564	9,577
	41,952	34,019
Non-Current:		
Deferred Income Tax (note 18)	57	374
Post-Employment Benefits (note 16)	3,440	3,272
Long-Term Debt (note 13)	613,163	621,757
	$ 616,660	$ 625,403
Equity:		
Retained Earnings	183,222	190,452
Accumulated Other Comprehensive Loss (note 17)	(32,419)	(34,997)
	150,803	155,455
	$ 809,415	$ 814,877

Contingencies, Commitments & Guarantees (note 15)
The accompanying notes are an integral part of these financial statements

_______________ Director _______________ Director

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31, 2016 (In thousands of Canadian dollars)

	2016	2015
Revenue:		
Airport Improvement Fees (note 12)	$ 40,659	$ 38,644
Airfield	20,248	18,934
Passenger Processing	22,009	20,633
Groundside	15,123	14,018
Concessions	3,808	3,652
Leasing	7,097	6,833
Airport Management Contracts	7,067	6,848
Other	1,627	1,591
	117,638	111,153
Operating Expenses:		
Salaries and Benefits	21,383	20,332
Services and Repairs	17,135	17,299
Ground Lease Rent (note 10)	8,011	7,399
Supplies	3,963	3,747
Utilities	2,521	2,472
Property Taxes, Insurance and Other	6,332	5,650
Depreciation	34,846	32,387
	$ 94,191	$ 89,286
Income before Investment Income, Net Finance Expense and Income Taxes	23,447	21,867
Share of (Profit) / Loss of Associates (note 9)	(40)	38
Net Finance Expense (note 13)	31,782	31,905
	(8,295)	(10,076)
Income Tax Expense of Subsidiaries:		
Current	857	653
Deferred (Recovery) (note 18)	(317)	(10)
	540	643
Net Loss	$ (8,835)	$ (10,719)

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Year ended December 31, 2016 (In thousands of Canadian dollars)

	2016	2015
Net Loss	$ (8,835)	$ (10,719)
Other Comprehensive Income (Loss):		
Items Subsequently Reclassified to Profit or Loss		
Recognition of Loss on Previously Settled Cash Flow Hedges	2,571	2,469
Unrealized Loss on Available for Sale Investments	7	(113)
Items that will not be Reclassified to Profit or Loss		
Employee Benefit Plan Re-Measurements (note 16)	1,605	634
Comprehensive Loss	$ (4,652)	$ (7,729)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2016 (In thousands of Canadian dollars)

	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
Balance – January 1, 2015	$ (37,353)	$ 200,537	$ 163,184
Net Loss	-	(10,719)	(10,719)
Other Comprehensive Income			
Unrealized Gain / (Loss) on Available For Sale Securities	(113)	-	(113)
Employee Benefit Plan Re-Measurements	-	634	634
Recognition of Loss on Previously Settled Cash Flow Hedges	2,469	-	2,469
Balance – December 31, 2015	$ (34,997)	$ 190,452	$ 155,455
Net Loss	-	(8,835)	(8,835)
Other Comprehensive Income			
Unrealized Gain / (Loss) on Available For Sale Securities	7	-	7
Employee Benefit Plan Re-Measurements	-	1,605	1,605
Recognition of Loss on Previously Settled Cash Flow Hedges	2,571	-	2,571
Balance – December 31, 2016	$ (32,419)	$ 183,222	$ 150,803

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended December 31, 2016 (In thousands of Canadian dollars)

	2016	2015
Operating Activities:		
Net Loss	$ (8,835)	$ (10,719)
Adjustments for:		
Depreciation	34,846	31,651
Deferred Income Taxes	(317)	(10)
Non-Cash Interest Expense (note 13)	2,933	2,822
Post-Employment Benefit Funding in Excess of Expense	(1,147)	(1,787)
Share of (Profit) / Loss of Associates	(40)	57
Change in Non-Cash Operating Working Capital	7,716	4,318
	35,156	26,332
Investing Activities:		
Additions to Property and Equipment	(18,470)	(13,500)
Proceeds on Disposal of Property and Equipment	119	-
Decrease (Increase) in Investments	2,972	761
Decrease in Financing Lease Receivable	704	703
(Increase) Decrease in Restricted Cash	(12)	20
Dividends received from Associates	628	-
	(14,059)	(12,016)
Financing Activities:		
Proceeds from Long-Term Debt, net of Financing Costs	836	-
Repayment of Long-Term Debt	(9,805)	(8,750)
	(8,969)	(8,750)
Increase in Cash and Cash Equivalents	12,128	5,566
Cash and Cash Equivalents, Beginning of Year	31,739	26,173
Cash and Cash Equivalents, End of Year	$ 43,867	$ 31,739
Cash and Cash Equivalents:		
Cash on Account	$ 19,694	$ 11,981
Cash Equivalents	24,173	19,758
Interest Paid	30,405	31,010
Interest Received	2,673	2,577

The accompanying notes are an integral part of these financial statements

Notes to the Consolidated Financial Statements of

Winnipeg Airports Authority Inc.

Year ended December 31, 2016

Photo by Laird Kay

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Incorporation and Mandate:

Winnipeg Airports Authority Inc. (the "Company") is incorporated under the Canada Not-for-Profit Corporations Act. The address of the Company and its principal place of business is 249 – 2000 Wellington Avenue, Winnipeg, Manitoba, Canada R3H 1C2.

The Company operates the Winnipeg James Armstrong Richardson International Airport (the "Airport"), under a long-term lease with the Government of Canada for the benefit of the community (the "Ground Lease"). Net income is used to fund airport capital improvements.

The Company is governed by a fifteen member Board of Directors of whom eleven members are nominated by the City of Winnipeg, the Rural Municipality of Rosser, Economic Development Winnipeg, the Winnipeg Chamber of Commerce, The Assiniboia Chamber of Commerce and the Federal and Provincial governments, with the remaining members appointed by the Board from the community at large.

The Company has two wholly owned for-profit subsidiaries:

Winnipeg Airport Services Corp. (WASCO) provides airport operations, management, facility maintenance and technical services to Canadian airports.

Nunavut Airport Services Ltd. (NASL) is responsible for the operations, maintenance services, and lifecycle rehabilitation of the Iqaluit International Airport under an agreement that terminates on December 31, 2047.

2. Basis of Presentation:

The Company prepares its annual financial statements in accordance with Canadian generally accepted accounting principles as set out in the Chartered Professional Accountants Canada Handbook – Accounting ("CPA Handbook") which incorporates International Financial Reporting Standards ("IFRS"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 29, 2017, the date the Board of Directors approved the statements.

The IFRS that are effective for the first time for the financial year beginning on or after January 1, 2017 have been summarized in note 3 (q).

3. Significant Accounting Policies:

The significant accounting policies used in the preparation of the consolidated financial statements are described below:

(a) Basis of Measurement:

These consolidated financial statements are prepared using the historical cost method, except for certain financial instruments measured at fair value, including available-for-sale investments.

(b) Principles of Consolidation:

The financial statements include the accounts of the Company and its wholly-owned subsidiaries, Winnipeg Airport Services Corp., and Nunavut Airport Services Ltd.

All inter-company balances and transactions have been eliminated on consolidation.

(c) Cash and Cash Equivalents:

Cash and cash equivalents include cash on account, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(d) Restricted Cash:

Restricted cash represents funds held by financial institutions relating to debt service reserves.

(e) Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined according to the average cost method for replacement parts and according to the first in, first out method for supplies, fuel and chemicals used in operations.

(f) Leases:

Company as lessee:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included on the balance sheet as a finance lease obligation.

Finance lease payments are apportioned between financing costs and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financing costs are recognized immediately in the statement of operations, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. The Company recognizes contingent rent payable based on the year in which it is incurred.

Company as lessor:

Finance income related to the direct financing lease is recognized in a manner that produces a constant rate of return on the investment in the lease. The lease receivable is comprised of net minimum lease payments less unearned finance income.

For all other leases, leasing revenue is recognized straight-line over the duration of the respective agreements. The Company recognizes contingent rent receivable based on the year in which it is incurred.

(g) Property and Equipment:

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Property and equipment include items such as improvements to leased land, runways, building and roadways. These assets will revert to Transport Canada upon the expiration or termination of the Ground Lease (note 10). No amounts are amortized longer than the lease term.

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates each part separately. Residual values, the method of depreciation and estimated useful lives of the assets are reviewed annually and adjusted if appropriate. Property and equipment are depreciated on a straight-line basis as follows:

Assets	Term
Civil Infrastructure	10 to 40 years
Buildings and Other Structures	10 to 40 years
Vehicles, Machinery and Equipment	5 to 20 years
Technology	3 to 10 years
Artwork	not depreciated

Assets under construction are not depreciated and are transferred to property and equipment when the asset is available for use.

Normal repairs and maintenance are expensed as incurred. Expenditures constituting enhancements to the assets by way of change in capacity or extension of useful lives are capitalized.

(h) Borrowing Costs:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized in financing costs in the period in which they are incurred.

(i) Investment in Associates:

The Company uses the equity method of accounting for investments in associates over which it has significant influence. The original investment is initially recorded at cost, and is subsequently increased or decreased to account for the Company's share of comprehensive income or loss of the investee company and is reduced by dividends received.

(j) Joint Arrangements:

Joint arrangements are assessed at the inception of the agreement based on the structure as well as the legal and contractual terms. Where the arrangement meets the definition of a joint operation, the results of the joint operation are proportionately consolidated. Where the arrangement meets the definition of a joint venture, the equity method of accounting is used.

(k) Impairment:

Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, and written down to the net recoverable amount. The loss is charged to the consolidated statement of operations.

The Company assesses at each year-end whether there is any objective evidence that its investments in associates are impaired. If so, the carrying value of the

Company's share of the underlying assets of associates is written down to its net recoverable amount and the loss is charged to the consolidated statement of operations.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

With the exception of available-for-sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the profit or loss in the period it arises to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(l) Revenue Recognition:

Revenue is recognized when it is probable that the economic benefits will flow to the Company and the related service has occurred, the sales price is fixed or determinable, and collectability is reasonably assured.

The Company's principal sources of revenues are comprised of revenue from the rendering of aeronautical activities, commercial activities, airport improvement fees, real estate and other activities.

Airfield, passenger processing and groundside revenue are recognized as airport facilities are used. Airport improvement fees are accrued based on the enplanement of passengers. Concession revenue is earned on a monthly basis and is recognized based on a percentage of sales or specified minimum annual guarantees. Leasing revenue is recognized straight-line over the duration of the respective agreements.

Airport management contract revenue is recognized as services are rendered. Scheduled equipment and capital purchases acquired on behalf of the airport contractor, in accordance with the terms of the contract, are recorded at the value of the funding, net of the actual purchase price in the statement of operations because the Company does not retain ownership of the equipment or other capital acquisitions.

(m) Post-Employment Benefit Obligations:

The Company sponsors defined benefit pension plans, defined contribution pension plans and other post-employment benefit plans on behalf of its employees.

The cost of defined benefit pension plans, other post-retirement and post-employment benefits earned by employees is actuarially determined annually as at December 31. The cost is determined using the projected unit credit method and assumptions including market interest rates, salary escalation, retirement ages of employees, mortality rates, and health care costs. Past service costs are recognized immediately in income. Gains and losses on curtailments or settlements are recognized in the period in which the curtailment or settlement occurs.

Net actuarial gains and losses are recognized immediately in other comprehensive income (loss) without subsequent reclassification to income. The current service cost and recognized element of any past service cost of employee benefits expense is recorded in salaries and benefits.

Certain of the Company's pension plans are subject to minimum funding requirements. The liability in respect of minimum funding requirements is determined using the projected minimum funding requirements, based on management's best estimates of the actuarially determined funded status of the plan, market discount rates and salary escalation estimates. The liability, if any, in respect of the minimum funding requirement and any subsequent re-measurement of that liability are recognized immediately in other comprehensive income (loss) without subsequent reclassification to income.

The amount recognized in the balance sheet at each year end reporting date represents the present value of the defined benefit obligation reduced by the fair value of plan assets. Any recognized asset or surplus is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions. To the extent that there is uncertainty regarding entitlement to the surplus, no asset is recorded.

Contributions to the Company's defined contribution pension plan are expensed as incurred.

(n) Financial Instruments:

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial assets and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

All financial instruments measured at fair value are classified according to the following hierarchy:

- Level 1 Valuation based on quoted prices in active markets for identical assets or liabilities obtained from the investment custodian, investment managers or dealer markets.
- Level 2 Valuation techniques with significant observable market parameters including quoted prices for assets in markets that are considered less active.
- Level 3 Valuation techniques with significant unobservable market parameters.

All financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale and other financial liabilities. Initial measurement of financial instruments is at fair value, subsequent measurement of financial instruments depends on their classification. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading.

The Company's cash and cash equivalents, restricted cash, accounts receivable and financing lease receivable are classified as loans and receivables. Bank indebtedness, accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities. Investments in short-term notes and bonds have been classified as available-for-sale.

Financial assets and liabilities classified as held-for-trading are measured at fair value at each reporting period with changes in fair value in subsequent periods included in net income. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Company recognizes changes in fair value of loans and receivables only if realized or if impairment in the value of the financial asset occurs.

Financial assets and liabilities classified as available-for-sale are measured at fair value. Dividend and interest income on available-for-sale investments are recorded in net income when receivable. Changes in fair value are recorded in other comprehensive income (loss) until the investments are derecognized or impaired, at which time the amounts are recorded in net income.

Financing costs are included in the related long-term debt balances using the effective interest method.

Losses incurred upon the settlement of derivative contracts recognized as part of an effective hedging relationship are recorded in accumulated other comprehensive income (loss). These losses are recognized into income over the life of the previously hedged item.

An impairment loss (note 3 [k]) is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of operations.

(o) Income Taxes:

The Company is exempt from income taxes. Subsidiaries are taxable corporations and follow the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized based on expected future tax consequences of differences between the carrying amount of the balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

(p) Provisions:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to settle the Company's present obligation.

Provisions for litigation and claims are recognized in cases where legal actions, proceedings and other claims are pending or may be instituted or asserted in the future against the Company which are a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required for the settlement and a reliable estimate of the obligation amount can be made.

(q) Future Changes in Accounting Policies:

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments.

(i) IAS 7 – Presentation of statement of cash flows effective January 1, 2017, requiring disclosure of changes in liabilities arising from financing activities, including changes from cash flow and non-cash changes.

(ii) IAS 12 – Income taxes-Deferred taxes, effective January 1, 2017, amended to clarify the requirements for recognizing deferred tax assets on losses; deferred tax where an asset is measured at a fair value below the asset's tax base; and certain other aspects of accounting for deferred taxes.

(iii) IFRS 7 and 9 – Financial Instruments, effective January 1, 2018 addresses classification, measurement and recognition of financial assets and financial liabilities. It introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses.

(iv) IFRS 15 – Revenue from contracts with customers, effective years beginning on or after January 1, 2018. Its objective is to provide a single comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount that the entity expects to be entitled to in exchange for those goods and services.

(v) IFRS 16 – Leases, effective for years beginning on or after January 1, 2019. This eliminates the dual accounting model for lessees such that most operating leases will be recorded on the balance sheet. This will impact the timing of recognition and nature of expenses associated with the lease agreements.

4. Critical Accounting Judgments and Estimates:

In applying the Company's accounting policies (note 3) management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

(a) Depreciation of Property and Equipment:

Critical judgments are utilized in determining depreciation rates and useful lives of property and equipment. Depreciation is calculated to write off the cost, less estimated residual value, of property and equipment on a straight-line basis over expected useful lives. Estimates of residual value and useful lives are based on data and information from various sources including vendors, industry practice and Company-specific history. A change in any of the significant assumptions or estimates could result in a material change in the depreciation amount.

(b) Provisions:

The determination of a provision is based on the best available information and is subject to change based on new information. Provisions, if required, take into account the relevant facts and circumstances of each matter and the consideration of any legal advice obtained (note 15).

(c) Post-Employment Benefit Obligations:

The Company accounts for pension and other post-employment benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. These factors include key actuarial assumptions including discount rates, expected salary increases and mortality rates. Actual results may differ from results which are estimated based on assumptions.

(d) Leases:

The Company accounts for its Ground Lease (note 10) as an operating lease. In consideration of the terms of the lease, the Company has concluded that the agreement does not transfer substantially all of the risks and rewards of the leased item to the Company. The agreement shows that the risks and rewards are substantially retained by the Lessor.

5. Accounts Receivable:

		2016		2015
Trade Accounts	$	7,346	$	8,062
Other Receivables		1,460		563
Total Accounts Receivable	$	8,806	$	8,625

Accounts receivable of $557 (December 31, 2015 - $200) were considered past due but not impaired. These amounts relate to a number of customers with no recent history of default.

6. Property and Equipment:

	Vehicles Machinery & Equipment	Technology	Buildings & Other Structures	Civil Infrastructure	Artwork	Construction in Progress	2016 Total
Gross Value							
Balance, January 1, 2016	$ 54,208	$ 24,546	$ 194,607	$ 544,009	$ 1,203	$ 765	$ 819,338
Additions	2,111	-	-	-	57	16,449	18,617
Transfers	-	940	11,407	2,864	-	(15,211)	-
Disposals	(936)	-	-	-	-	-	(936)
At December 31, 2016	$ 55,383	$ 25,486	$ 206,014	$ 546,873	$ 1,260	$ 2,003	$ 837,019
Accumulated Depreciation							
Balance, January 1, 2016	$ 18,892	$ 17,270	$ 42,874	$ 66,764	$ -	$ -	$ 145,801
Depreciation	4,360	4,490	15,858	10,207	-	-	34,915
Disposals	(886)	-	-	-	-	-	(886)
At December 31, 2016	$ 22,366	$ 21,760	$ 58,732	$ 76,972	$ -	$ -	$ 179,830
Net Value at							
December 31, 2016:	$ 33,017	$ 3,726	$ 147,282	$ 469,901	$ 1,260	$ 2,003	$ 657,189

	Vehicles Machinery & Equipment	Technology	Buildings & Other Structures	Civil Infrastructure	Construction in Progress	Artwork	2015 Total
Gross Value							
Balance, January 1, 2015	$ 52,155	$ 23,762	$ 179,510	$ 535,734	$ 13,091	$ 1,203	$ 805,455
Additions	1,428	-	-	-	12,455	-	13,883
Transfers	625	784	15,097	8,275	(24,781)	-	-
Disposals	-	-	-	-	-	-	-
At December 31, 2015	$ 54,208	$ 24,546	$ 194,607	$ 544,009	$ 765	$ 1,203	$ 819,338
Accumulated Depreciation							
Balance, January 1, 2015	$ 14,741	$ 12,919	$ 33,447	$ 53,043	$ -	$ -	$ 114,150
Depreciation	4,151	4,350	9,428	13,721	-	-	31,651
Disposals	-	-	-	-	-	-	-
At December 31, 2015	$ 18,892	$ 17,270	$ 42,874	$ 66,764	$ -	$ -	$ 145,801
Net Value at							
December 31, 2015:	$ 35,316	$ 7,276	$ 151,733	$ 477,245	$ 765	$ 1,203	$ 673,537

7. Restricted Cash:

		2016		2015
Debt Service Reserve	$	19,020	$	19,010
Construction Holdback		684		682
Total Restricted Cash	$	19,704	$	19,692

Under the terms of a Master Trust Indenture, the Company is required to maintain a debt service reserve to cover principal and interest payments to be made on the long-term bonds (note 13 [a]).

8. Investments:

		2016		2015
Short-Term Notes	$	4,289	$	4,616
Provincial Bonds		13,206		13,407
Corporate Bonds		28,302		31,108
Accrued Income		368		479
Total Investments	$	46,165	$	49,610

Coupon rates on investments range from 1.03 per cent to 9.75 per cent and have terms to maturity ranging from 2017 to 2022.

9. Investments in Associates:

		2016		2015
Investment in Affiliated Companies:				
Equity Accounted Investment	$	1,639	$	2,227
Preference Shares		568		568
	$	2,207	$	2,795

Preference shares of SRG Security Resource Group Inc. have a 5% per annum cumulative dividend rate calculated on the issue price of the 568,092 preference shares of $568. The Company holds a put option to require the affiliated company to purchase the shares which is exercisable at any time. The option expires and terminates upon the date of completion of an initial public offering of the shares of the affiliated company. The price to be paid for the common shares is generally equal to the fair market value at that time. The price to be paid for the preference shares is equal to the redemption value of one dollar per share.

Name of Entity	Principal Activity	Place of Incorporation	Ownership %
SRG Security Resource Group Inc.	Security Services	Canada	35%
Winnipeg Airport Lands Corp.	Land Development	Canada	50%
Churchill Transportation Inc.	Airport Operations	Canada	50%

Summarized financial information in respect of the Company's associates is set out below:

	2016	2015
Financial Position:		
Total Assets	$ 5,296	$ 6,504
Total Liabilities	1,578	1,284
Company's Share of Associates' Net Assets	1,869	2,395
Financial Performance:		
Total Sales and Other Revenues	13,222	14,793
Total Profit / (Loss) for the Year	67	(108)

During the year, the Company received $628 in dividends (2015 - $28).

10. Leases:

Operating Leases:

The Company as lessee: The Airport lands are rented under a long-term lease entered into on December 31, 1996 with Transport Canada (Ground Lease). The lease is for a term of 80 years and can be terminated only in the event of default. The lease is on an "absolute net" basis allowing the Company peaceful possession of the leased premises. The rent relating to this lease is calculated by formula based on revenues of the Company as defined in the lease.

Estimated Ground Lease rent payments for the next five years are as follows:

2017	$ 8,071
2018	8,649
2019	9,082
2020	9,538
2021	10,011

The Company as lessor: The Company leases out, under operating leases, land and certain assets that are included in property and equipment. Many leases include renewal options and are subject to market price revision. The lessee does not have the possibility to acquire the leased assets at the end of the lease.

The estimated lease revenue for the next five years is approximately as follows:

2017	$ 7,321
2018	8,215
2019	8,962
2020	9,142
2021	9,325

Finance Leases:

The Company as lessee: Finance lease obligations which the Company has entered into are described in note 13. The net book value of those assets included in property and equipment and associated with finance lease obligations is $2,924 (2015 – $4,367).

The Company as lessor: The Company's net investment in financing leases is:

	2016	2015
Total Minimum Lease Payments Receivable	$ 48,536	$ 50,704
Unearned Interest Income	25,407	26,871
	23,129	23,833
Current Portion	708	705
	$ 22,421	$ 23,128

11. Investments in Joint Operations:

A subsidiary has entered into a joint arrangement to provide operational services at the Airport. The arrangement meets the definition of a joint operation and is accounted for using proportionate consolidation. The intergroup profit has been eliminated and 50% of the remaining operational results are consolidated, as follows:

	2016	2015
Financial Position:		
Total Assets	$ 691	$ 286
Total Liabilities	49	243
Financial Performance:		
Total Sales and Other Revenues	900	271
Total Expenses	718	228

12. Airport Improvement Fees:

The Company charges Airport Improvement Fees (AIF) per local boarded passenger through an agreement with the Air Transport Association of Canada and major air carriers serving the Airport. AIF revenue is collected by the airlines for the benefit of the Company and is recorded net of a 6% handling fee. AIF revenues are used to pay for airport infrastructure development and related financing costs as jointly agreed with air carriers operating at the Airport.

13. Long-Term Debt:

	2016	2015
Revenue Bonds Series A, 5.205%, due September 28, 2040, semi-annual blended principal and interest payments of $8,221 payable March 28 and September 28 of each year until maturity	$ 221,884	$ 226,389
Revenue Bonds Series C, 4.569%, due November 20, 2019, interest payable semi-annually on May 20 and November 20 of each year until maturity	124,532	124,417
Revenue Bonds Series D, 6.102%, due November 20, 2040, semi-annual blended principal and interest payments of $6,393 payable on May 20 and November 20 of each year until maturity	158,540	161,368
Revenue Bonds Series E, 3.039%, due April 13, 2023, interest payable semi-annually on April 14 and October 14 of each year until maturity	99,540	99,458
Manitoba Industrial Opportunity Program	16,148	16,820
Finance Lease Obligation	2,083	2,882
	622,727	631,334
Current Portion	9,564	9,577
	$ 613,163	$ 621,757

(a) Revenue Bonds:

The revenue bonds are direct obligations of the Company ranking pari passu with all other indebtedness issued under a Master Trust Indenture (MTI). All indebtedness, including indebtedness under bank credit facilities, are secured under the MTI by assignment of revenue and related accounts receivable, a security interest in the debt service reserve and certain accounts of the Company, and an unregistered mortgage of the Company's leasehold interest in the Airport.

Under the terms of the MTI, the Company is required to establish and maintain with a trustee a debt service reserve with a balance equal to at least 50 percent of annual debt service costs. These trust funds, which total approximately $19 million (note 7), are held for the benefit of the bond holders in accordance with the terms of the MTI. In addition the Company is required to maintain an operating and maintenance reserve of approximately $12 million. The operating and maintenance reserve is satisfied by availability under a committed credit facility (note 14).

(b) Finance Lease Obligation:

The Company leases certain equipment with effective interest rates ranging from 2.82 per cent to 3.58 per cent over varying terms ending between 2017 thru 2023.

(c) Manitoba Industrial Opportunity Program Loan:

The loan is secured, and repayable to the Province of Manitoba in equal monthly installments until December 2040, at 5.875 per cent interest.

(d) The Future Annual Principal and Interest Payments of Long-Term Debt are as follows:

	Principal	Interest
2017	$ 9,564	$ 30,963
2018	9,410	30,448
2019	134,826	29,445
2020	10,132	23,662
2021	10,660	23,087

(e) Net Financing Expense:

		2016		2015
Revenue Bond Interest	$	33,345	$	33,612
Other Interest and Financing Costs		1,110		203
Interest Income		(2,673)		(1,910)
	$	31,782	$	31,905

Revenue bond interest includes non-cash interest of $2,933 (2015 - $2,822) due to the amortization of deferred financing costs and settled cash flow hedges.

14. Credit Facilities:

The Company has authorized credit facilities with a Canadian chartered bank. These facilities are secured under the Master Trust Indenture (note 13). They are available by way of overdraft, prime rate loans, or bankers' acceptances. Effective August 2016, the Company increased its unsecured revolving credit facility by $30 million to $100 million. As at December 31, 2016, the Company has not drawn on these facilities (December 31, 2015 - nil).

		2016		2015
Unsecured Bank Operating Line	$	100,000	$	70,000
Reductions to Available Balance:				
Outstanding Letters of Credit		(3,572)		(3,820)
Allocation to Operating and Maintenance Reserve (note 13)		(12,348)		(11,905)
Available Unsecured Bank Operating Line	$	84,080	$	54,275

15. Contingencies, Commitments and Guarantees:

(a) Contingencies:

There are claims and disputes which the Company is involved with, arising from the airport site redevelopment project, the potential impact of which may be material.

Subsequent to an arbitration process, the Company has been found responsible for certain costs relating to the airport site redevelopment project. The amount of these costs will be based on a second phase of arbitration. For known and probable costs associated with these claims, which the Company believes are valid and the likelihood is determinable, accruals have been made in the financial statements. Beyond those known costs, it is not practicable at this time to determine an estimate of the possible financial effect, uncertainties relating to the amount, timing of any outflows or the possibility of any cost recovery.

Also related to the airport site redevelopment project, other lawsuits and claims have arisen. The Company continues to work to resolve the claims though legal proceedings. The Company has filed counter claims but there is uncertainty relating to the claims as well as any amounts that may be recoverable. At this time, the amount of the obligation cannot be measured with sufficient reliability resulting from these lawsuits and claims and accordingly no provisions have been made in these financial statements.

(b) Subsidiary Guarantee:

The Company guarantees the operational performance of its subsidiary Nunavut Airport Services Ltd., under the contract to provide airport operations, maintenance services and lifecycle rehabilitation to Iqaluit International Airport up to a maximum of $18.8 million, partially secured by a letter of credit of $3.6 million (2015 – $3.8 million).

(c) Director and Officer Indemnity:

The Company has agreed to indemnify its directors and officers to the extent permitted by law against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by them as a result of any lawsuit or any other judicial administrative or investigative proceeding in which they are sued as a result of their service as long as they have acted honestly and in good faith. These indemnification claims will be subject to any statutory or other legal limitation period.

16. Post-Employment Benefit Plans:

The Company sponsors defined benefit pension plans and other post-employment benefit plans on behalf of its employees. The plans provide benefits to members in the form of a guaranteed level of pension payable for life. All of the plans have similar risk characteristics and operate under the same regulatory framework. The level of benefit payable depends on members' length of service and their salary in the final years leading up to retirement.

The responsibility for the governance of the plans lies with the Company, including overseeing contribution schedules and investment decisions. The plan assets are held in trust and governed by federal regulation. The Company has a pension committee to assist in the management of the plans.

Effective December 31, 2013 the defined benefit plans were closed to new members and a defined contribution plan began on January 1, 2014. The defined benefit plans will continue to operate for existing members.

Information for the post-employment benefit plans, based on the latest actuarial reports, measured as of December 31 is as follows:

	Defined Benefit Pension Plans		Post Employment Plans	
	2016	2015	2016	2015
Change in Defined Benefit Obligation:				
Balance, Beginning of Year	$ 64,739	$ 61,505	$ 3,272	$ 3,724
Current Service Cost	2,225	2,396	218	130
Employee Contributions	379	414	-	-
Interest Cost	2,549	2,419	120	121
Re-Measurements:				
Loss (Gain) recognized from Changes in Economic Assumptions	-	-	-	-
Loss (Gain) recognized from Experience	(480)	80	-	-
Loss (Gain) recognized from Changes in Demographic Assumptions	-	-	-	-
Benefits Paid	(2,045)	(2,075)	(170)	(703)
Balance, End of Year	$ 67,367	$ 64,739	$ 3,440	$ 3,272
Change in Fair Value of Plan Assets:				
Fair Value, Beginning of Year	$ 67,185	$ 61,982	$ -	$ -
Interest Income	2,723	2,520	-	-
Re-Measurements:				
Return on Plan Assets, excluding any amounts included in Interest Income	1,125	714	-	-
Contributions:				
Employer	3,462	3,720	-	-
Plan Participants	379	414	-	-
Benefits Paid	(2,045)	(2,075)	-	-
Administrative Expenses	(96)	(90)	-	-
Fair value, End of Year	$ 72,733	$ 67,185	$ -	$ -
Funded Status:				
Plan Surplus (Deficit)	$ 5,366	$ 2,446	$ (3,440)	$ (3,272)
Accrued Pension Asset (Liability)	$ 5,366	$ 2,446	$ (3,440)	$ (3,272)

The Company's net benefit plan (income) expense is as follows:

	Defined Benefit Pension Plans				Other Post Employment Plans			
		2016		2015		2016		2015
Net Benefit Plan Cost:								
Current Service Cost	$	2,225	$	2,396	$	217	$	130
Net Finance Expense relating to Employee Benefits		(174)		(101)		120		121
Administrative Expenses		96		90		-		-
Net Benefit Plan Expense Recognized	$	2,147	$	2,385	$	337	$	251
Actual Return on Plan Assets	$	3,848	$	3,234	$	-	$	-
Amounts Recognized in Other Comprehensive Income (Loss):								
Re-Measurements	$	1,605	$	634	$	-	$	-
	$	1,605	$	634	$	-	$	-
Cumulative Re-Measurements Recognized in Other Comprehensive Income (Loss):								
Cumulative Amount, Beginning of Year	$	8,201	$	8,835	$	(1,515)	$	(1,515)
Recognized		(1,605)		(634)		-		-
Cumulative Amount, End of Year	$	6,596	$	8,201	$	(1,515)	$	(1,515)

The significant weighted average assumptions used are as follows:

	2016	2015
Defined Benefit Obligation:		
Discount Rate	4.0%	4.0%
Long-Term Average Rate of Compensation Increase	3.0%	3.0%
Long-Term Average Rate of Health Benefit Cost Increase		
Initial Trend Rate	8.1%	8.1%
Annual Decrease	0.4%	0.4%
Ultimate Trend Rate	4.5%	4.5%
Year of Ultimate Trend Rate	2024	2024
Benefit Costs:		
Discount Rate	4.0%	4.0%
Long-Term Average Rate of Compensation Increase	2.5%	2.5%

The sensitivity of the defined benefit obligation (DBO) to changes in assumptions is set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

		Impact on Defined Benefit Obligation	
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount Rate	1.00%	$ (10,743)	$ 14,006
Salary Growth Rate	1.00%	$ 2,175	$ (1,825)
Life Expectancy	1 year	$ 1,872	$ (1,821)

Each sensitivity analysis is based on changing one assumption, while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the DBO to variations in actuarial assumptions, the same method has been applied as for calculating the liability recognized.

The plans' assets consist of the following asset mix:

	2016	2015
Equity Funds	52%	52%
Debt and Mortgage Funds	41%	41%
Real Estate Funds	7%	7%

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset Volatility: The plans' liabilities are calculated using a discount rate set with reference to corporate bond yields; if the plans' assets underperform this yield, this may create a deficit.

Changes in Bond Yield: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation Risk: The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit, or reduce the surplus.

Life Expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The investment positions are managed within an asset-liability matching that has been developed to achieve long-term investments that are in line with obligations under the pension plans. The Company monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. Investments are diversified such that the failure of any single investment would not have a material impact on the overall level of assets.

The effective date of the most recent actuarial valuation for funding purposes was December 31, 2015 for all plans and the next required valuation will be as of December 31, 2016. Based on most recent actuarial valuations, during 2016 the Company expects to contribute $3.4 million in cash to the defined benefit pension plans and $nil in cash to the other post-employment plans.

Contributions to the defined contribution pension plan were $76 during the year (2015 - $58).

17. Accumulated Other Comprehensive Income:

Accumulated other comprehensive income (loss) (AOCI) includes the recognized loss on previously settled cash flow hedges and unrealized changes in fair value of available-for-sale investments. The components of AOCI are as follows:

	2016	2015
Recognized Loss on Previously Settled Cash Flow Hedges	$ (31,489)	$ (34,060)
Unrealized Loss in Fair Value of Available For Sale Investments	(930)	(937)
	$ (32,419)	$ (34,997)

18. Income Taxes:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory rates of 27% (2015 - 27%) to the earnings before income taxes. The reasons for the differences and related tax effects are as follows:

	2016	2015
Expected Provision for Income Taxes at the Statutory Rate	$ (1,986)	$ (2,721)
Increase (Decrease) in Taxes Resulting From:		
Tax Effect of Not-For-Profit Earnings	2,795	3,276
Impact of Tax Rate on Investment Income	(91)	9
Tax Effect of Non-Deductible Expenses	11	5
Unrecognized Loss Carryforward	-	74
Recognition of Previously Unrecognized Tax Loss Carryforward	(189)	-
	$ 540	$ 643

19. Financial Instruments:

Fair Value:

The fair value of cash and cash equivalents, restricted cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities approximates their carrying value due to their relatively short term to maturity. The fair value of other financial instruments is as follows:

	2016	2015	Level
Assets			
Finance Lease	$ 32,611	$ 31,944	Level 2
Investments			
Short-Term Notes	4,289	4,616	Level 1
Provincial Bonds	13,206	13,407	Level 1
Corporate Bonds	28,302	31,108	Level 1
Liabilities			
Revenue Bonds Series A	251,466	266,129	Level 2
Revenue Bonds Series C	135.955	139,469	Level 2
Revenue Bonds Series D	192,440	205,363	Level 2
Revenue Bonds Series E	104,087	104,896	Level 2
Manitoba Industrial Opportunity Program Loan	25,578	24,900	Level 2
Finance Lease Obligation	2,028	2,831	Level 2

The fair value of the finance lease, revenue bonds, Manitoba Industrial Opportunity Program loan and finance lease obligation is determined through current market rate yield calculations. The fair value of investments in short-term notes and bonds are based on current market yields and traded values in the market.

Risk Management:
The Company is exposed to a number of risks as a result of the financial instruments on its balance sheet that can affect its operating performance. These risks include liquidity risk, credit risk, interest rate risk and concentration risk. The Company's financial instruments are not subject to foreign exchange risk or other price risk.

Liquidity Risk:
The Company manages its liquidity risks by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis, and by matching its long-term financing arrangements with its cash flow needs. In view of its credit ratings (Moody's: A2 and Standard & Poors: A), the Company has ready access to sufficient long-term funds as well as committed lines of credit through credit facilities with a Canadian bank. The future annual principal payment requirements of the Company's obligations under its long-term debt are described in note 13.

Credit and Concentration Risks:
The Company is subject to credit risk through its cash and cash equivalents, restricted cash, accounts receivable and investments in the event that the counterparty defaults. The Company manages this exposure by contracting only with financial institutions that maintain a very high credit rating, and therefore considers the exposure to be low.

The Company performs ongoing credit valuations of its accounts receivable balances and maintains valuation allowances for potential credit loss. The investments are limited to short-term and medium-term debt instruments with high quality credit ratings in order to minimize credit exposure.

The Company derives a substantial portion of its revenues from airlines through airfield and passenger processing fees and through airlines' collection of airport improvement fees on its behalf. The Company's right under the Airport Transfer (Miscellaneous Matters) Act to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses.

Passenger activity at the airport is approximately 90% origin and destination traffic, and although there is concentration of service with three air carriers, the Company believes that any change in the airline industry will not have a significant impact on revenues or operations. In addition, the Company's unfettered ability to increase its rates and charges mitigates the impact of these risks.

Interest Rate Risk:
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash equivalents and restricted cash are subject to floating interest rates. Management has oversight over interest rates that apply to its cash equivalents and restricted cash. These funds are invested from time to time as permitted by the Master Trust Indenture, while maintaining liquidity for purposes of investing in the Company's capital programs. The fair value of short-term and medium-term investments will fluctuate with changes in interest rates.

	2016		2015	
	Carrying Value	Effective Year End Interest Rate	Carrying Value	Effective Year End Interest Rate
Cash Equivalents	$ 24,173	0.96%	$ 19,758	1.01%
Debt Service Reserve Fund	$ 19,020	0.16%	$ 19,010	0.38%

If interest rates had been 50 basis points (0.50 %) higher/lower and all other variables were held constant, including timing of expenditures related to the Company's capital expenditure programs, the Company's net loss for the year would have increased/decreased by $490 (due to changes in returns on interest bearing assets), and the Company's other comprehensive loss would have increased/decreased by $327 (due to changes in the fair value of investments).

The Company has entered into fixed rate long-term debt, and accordingly, the impact of interest rate fluctuations has no effect on interest payments. However, changes in prevailing benchmark interest rates and credit spreads may impact the fair value of this debt.

20. Related Party Transactions:

The Company's related parties include key management personnel, the post-employment benefit plans for the Company's employees (note 16), as well as investment in associates.

In 2016, the Company paid $5,304 ($5,070 in 2015) to associates for operational services.

Transactions with Key Management Personnel

Key management includes the Board of Directors, the President and Vice Presidents. Compensation paid, payable or provided by the Company to key management personnel during the year were as follows:

		2016		2015
Salaries and Short-Term Benefits	$	1,580	$	1,486
Post-Employment Benefits		94		89
Total	$	1,674	$	1,575

21. Capital Management:

The Company is incorporated without share capital under the Canada Not-for-Profit Corporations Act and, as such, net income is retained and reinvested in airport operations and development. Accordingly, the Company's only sources of capital for investing in airport operations and development are available bank debt, long-term debt and accumulated earnings included on the Company's balance sheet as retained earnings for a total of $890,000 (2015: $876,000). The Company incurs debt to fund development based on what it considers affordable due to revenues from AIF and in order to maintain a minimum debt service coverage ratio. This provides for a self-imposed limit on what the Company can spend on major development of the Airport. The Company is in compliance with its debt covenants.

The Company manages its rates for aeronautical and other fees to safeguard the Company's ability to continue as a going concern and to maintain a conservative capital structure. It makes adjustments to these rates in light of changes in economic conditions and events, and to maintain sufficient net income to meet ongoing debt coverage requirements.

Photo by Gerry Kopelow

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

Governance Principles

The Board recognizes that it has stewardship responsibility of a valuable community resource. The Board has implemented a corporate governance framework that aligns with best practices for effective corporate governance. This has resulted in a governance system that rests on the following four principles:

1. Accountability
2. Clear delineation of responsibilities between the Board and Management
3. The full Board, not Board committees, is involved in decision making
4. Transparency

Board Committees

The Board has organized its affairs around two standing committees – Governance and Audit. They are complemented by the use of Task Forces on an as required basis to deal with particular matters. The full Board meets on a regular basis at least six times a year.

The mandate of the Governance Committee is to assist the Board in effectively meeting its responsibilities.

The Audit Committee attends to matters that are financial and/or risk related.

Public Accountability Principles

Incorporated into the Company's By-laws is a set of accountability principles that were accepted by the Board as part of the airport transfer conditions. Following is a summary of these principles.

Board Composition

The Board is composed exclusively of unrelated, non-management Directors. Eleven members of the Board of Directors are nominated by seven different public and private sector agencies:

City of Winnipeg (3)
The Assiniboia Chamber of Commerce (1)
Province of Manitoba (1)
Rural Municipality of Rosser (1)
Government of Canada (2)
Economic Development Winnipeg (1)
Winnipeg Chamber of Commerce (2)

A maximum of four members may be nominated by the Board of Directors.

The Board cannot consist of fewer than seven or more than 15 members at any time.

Qualification and eligibility requirements of Board members:

- A Director may serve for a term not exceeding three years and that no more than three terms (or nine years) may be served.
- Directors can be neither elected to nor employed by any level of government.
- No Director can be an elected official or government employee at any time during the two years prior to becoming a Director.

Community Consultative Committee

Winnipeg Airports Authority Inc. has a Community Consultative Committee (CCC) to provide for effective dialogue and dissemination of information on various matters, including airport planning, operational aspects of the Airport and municipal concerns. The CCC meets at least twice a year and is comprised of members who are generally representative of the community, including persons representing the interests of consumers, the travelling public and organized labour, aviation industry representatives and appropriate provincial and municipal government representatives.

Corporate Reporting & Disclosure

- Winnipeg Airports Authority has adopted a Code of Conduct and Conflict of Interest Policy. All Directors are in compliance with this policy.
- Winnipeg Airports Authority discloses non-arm's length transactions.
- Directors make a general report annually to their respective Nominator and the Board reports collectively to all Nominators.
- The Board has a self-evaluation process in place to review the performance of the Board and Board committees. As a general practice, Winnipeg Airports Authority optimizes the use of Canadian resources and supplies and employs a competitive process for contracts in excess of $109,000 ($75,000 1994 dollars).
- One third of the Board of Winnipeg Airports Authority is female.
- In the event Winnipeg Airports Authority increases airport user charges it provides advance public notice.
- Full audits in accordance with generally accepted auditing standards are conducted and Transport Canada has the right at any time to cause a complete audit to be conducted.
- Winnipeg Airports Authority publishes its Annual Report and includes specific performance comparisons and discloses the remuneration paid to Board members and to its senior officers. The Annual Report is distributed in advance of the Annual Public Meeting to all Nominators and the Minister of Transportation.
- At least once every five years Winnipeg Airports Authority conducts a comprehensive independent review of Winnipeg Airports Authority's management operation and financial performance by a qualified independent person. The report is distributed on a timely basis to the Minister of Transportation and to each Nominator and is available to the public on request.
- Winnipeg Airports Authority provides for public access to the Airport Master Plan, five-year business plan, past five-year annual financial statements and business plans, incorporation documents, and all signed airport transfer agreements.

WAA Board of Directors 2016

Nominated by the City of Winnipeg

D. Greg Doyle, FCPA, FCA, Corporate Director
Don Price, Corporate Director
Kimberley Gilson, LL.B, Partner
Duboff Edwards Haight & Schachter Law Corporation

Nominated by the Assiniboia Chamber of Commerce

Gerry Glatz, Owner
Teledisc Systems

Nominated by Economic Development Winnipeg Inc.

Paul Soubry, President & CEO
New Flyer Industries and Motor Coach Industries

Nominated by the Government of Canada

Ross Robinson, Chairman & CEO
B.A. Robinson Group
Don Boitson, Vice President, North American Operations
Magellan Aerospace Ltd.

Nominated by the Province of Manitoba

Eugene Kostyra, Corporate Director

Nominated by the Rural Municipality of Rosser

Thomas Payne Jr. (Chair), President
Payne Transportation Ltd.

Nominated by the Winnipeg Chamber of Commerce

BJ Reid, FCPA, FCA (Vice-Chair), Vice President, Fund Services & Chief Financial Officer
Investors Group Mutual Funds
Sangeet Bhatia, CPA, CA, CMC, Partner, Consulting
Deloitte Inc.

Appointed by the WAA Board

Brita Chell, FCPA, FCA, Chief Financial Officer
G3 Canada
Paul Vogt, President & CEO
Red River College
Arthur Mauro (Chair Emeritus), Corporate Director
Gord Peters, President
Cando Rail Services Ltd.
Donna Price, FCPA, FCGA, Corporate Director

2016 Board Attendance

	Board Meetings			Governance Committee Meetings		
	Eligible	Attended	Telephone	Eligible	Attended	Telephone
Sangeet Bhatia	8	8		6	6	
Kimberley Gilson	8	7		6	6	
Tom Payne Jr.	8	8		6	6	
Donna Price	8	8		6	6	
Ross Robinson	8	5	2	6	4	1
Paul Soubry	8	4	1	6	2	
Paul Vogt	8	6		6	3	
				Audit Committee Meetings		
Don Boitson	8	3	3	5	4	1
Brita Chell	8	4	4	5	4	1
D. Greg Doyle	8	7	1	5	5	
Gerry Glatz	8	8		5	5	
Eugene Kostyra	8	3	4	5	1	4
Gord Peters	8	6		5	1	3
Don Price	8	5	2	5	2	3
BJ Reid	8	8		5	4	

Board of Directors Compensation for 2016

Sangeet Bhatia	$	20,400	Gord Peters	$	17,475
Don Boitson		18,075	Tom Payne		50,000
Brita Chell		18,675	Don Price		18,225
D. Greg Doyle		27,250	Donna Price		20,400
David Friesen		1,417	BJ Reid		19,800
Kimberley Gilson		24,383	Ross Robinson		18,300
Gerry Glatz		20,550	Paul Soubry		15,900
Eugene Kostyra		17,250	Paul Vogt		16,400

Executive Officers 2016

Barry Rempel, President and Chief Executive Officer
Catherine Kloepfer, Senior Vice President Corporate Services and Chief Financial Officer
Pascal Bélanger, Vice President and Chief Commercial Officer
Vince Dancho, Vice President Operations

The base compensation range for the President & CEO is $275,000 to $375,000.
The base compensation range for Vice Presidents is $160,000 to $275,000.

Single Source Contracts

During 2016 contracts were awarded in excess of $109,000 ($75,000 in 1994 dollars) outside of a competitive process for the reasons indicated in the following table:

Vendor	Description	Value	Basis for selection
BYWA Joint Venture	Airport Operations Support Services	$ 18,133,000	F
SRG Security Resource Group Inc.	Security Solution	$ 13,952,000	G
Brock Solutions	Airport Equipment Support	$ 600,000	A & D
Airport Technologies Inc.	Mobile Equipment	$ 490,000	A & E
Federated Co-Operatives Ltd.	Fuel	$ 416,000	G
Toromont Cat	Mobile Equipment	$ 345,000	A & E
Bennett Jones LLP	Legal Services	$ 300,000	E
Glacial Aggregates Inc.	Airfield Supplies	$ 150,000	E
SM Industries	Pavement Sealing	$ 176,000	A & E
Schneider Electric	Airport Equipment Support	$ 155,000	B
G & B Portable Fabric Buildings Inc.	Airfield Facilities	$ 153,000	B & G
FlexITy Solutions Inc.	IT Equipment	$ 149,000	F
ADB Safegate	Airfield Electrical Equipment	$ 114,000	A & E

Basis for Selection

A – The acquisition is part of an equipment standardization program.
B – The goods or services are of a proprietary nature or there is only one qualified supplier.
C – Safety, security or critical operating needs require urgent procurement.
D – The vendor was awarded a contract for goods or services as a result of previous competitive process and has no prior performance issues.
E – There is only one qualified vendor available when all factors are considered.
F – A strategic alliance/partnership can be formed with one vendor in order to take advantage of current technology and expertise.
G – An alliance/partnership can be formed with one supplier in order to significantly promote the strategic objectives.

Community Consultative Committee and their Affiliations

Loren Remillard - The Winnipeg Chamber of Commerce
James Wilson - Deputy Minister of Growth, Enterprise and Trade, Province of Manitoba
Colin Ferguson - Travel Manitoba
Dayna Spiring - Economic Development Winnipeg
Doug McNeil - City of Winnipeg
Lance Vigfusson - Deputy Minister of Infrastructure, Province of Manitoba
Grand Chief Derek Nepinak - Assembly of Manitoba Chiefs
Jeff Traeger - United Food & Commercial Workers Union
Wendell Wiebe - Manitoba Aerospace Association
Chief Ronald Evans - Norway House Cree Nation
Chuck Davidson - Manitoba Chambers of Commerce

Corporate Information

Auditors: PricewaterhouseCoopers LLP
Bank: Canadian Imperial Bank of Commerce
Legal Counsel: MLT Aikins LLP; Miller Thompson LLP; Fillmore Riley LLP; and Taylor McCaffrey LLP

WINNIPEG RICHARDSON INTERNATIONAL AIRPORT SERVICES

Passenger Carriers

Serving Main Terminal Building

Air Canada
Air Canada Jazz
(operating on behalf of Air Canada Express)
Air Transat
Bearskin Airlines
Calm Air
Delta Air Lines
Compass Airlines & Endeavor Air
(operating on behalf of Delta Air Lines)
Skywest Aviation
(operating on behalf of Delta Air Lines)
Flair Air
(operating on behalf of NewLeaf Travel Company)
Sunwing Airlines
United Airlines
ExpressJet
(operating on behalf of United Airlines)
SkyWest Airlines
(operating on behalf of United Airlines)
WestJet
WestJet Encore

Other

6404805 Manitoba
Air Bravo
Air Georgian
Air North Airlines
Air Nunavut
Allied Wings
Bombardier Aerospace Corp.
Canadian North
Canadian Pacific Railway Co.
Corporate Air
Ca-West Corporate Air Charters Ltd.
Execaire
Fast Air
KAL Air
Keewatin Air
Missinippi Airways
Morningstar Partners
Nolinor
North Cariboo Air
Northway Aviation
North West Company Inc
ORNGE
Perimeter Aviation
Piper Holdings Inc
River Air
Skynorth Air
Sunwest Aviation
Superior Airways
Taiga Air Services
Thunder Airlines
Wal-Mart Ca Corp.
Wells Fargo Bank Northwest

Air Cargo Carriers

Scheduled

Cargojet
DHL
(operated by Suburban)
Federal Express
Morningstar Air Express
(operated on behalf of FedEx)
Purolator
(operated by Cargojet)
UPS
(operated by Skylink)

Non-Scheduled

Air Bridge Cargo Airlines
Atlas Air Cargo
Cargolux
LATAM Cargo
Nippon Cargo Airlines
Volga-Dnepr Airlines

Restaurants/Bars

Pre-Security
Harvey's
Stella's Café and Bakery
Tim Hortons

Post-Security Domestic
Freshii
Fuel Bar
Green Carrot Juice Company
Plaza Premium Lounge
Prairie Bistro
Skylights Lounge
Starbucks
Tim Hortons
True Burger

Post-Security Transborder
Tim Hortons Express
Urban Crave Restaurant and Lounge

Retailers

Pre-Security
ICE Currency Exchange
Liquor Mart Express
Red River News

Post-Security Domestic
Bentley
Best Buy Express
ICE Currency Exchange
Metalsmiths Sterling
PGA TOUR Shop
Red River News Express
Rocky Mountain Chocolate Factory
The Exchange News and Gifts with Toad Hall Toys
The Loop Duty Free

Post-Security Transborder
CNBC News
ICE Currency Exchange
The Loop Duty Free

Hotels

Courtyard by Marriott
Four Points by Sheraton
The Grand by Lakeview

Car Rentals

Avis/Budget/Payless Rent-A-Car
Enterprise Rent-A-Car
Hertz Rent-A-Car
National/Alamo Rent-A-Car

WINNIPEG
AIRPORTS AUTHORITY

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